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## BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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IN THE MATTER OF THE GENERIC  
PROCEEDINGS CONCERNING ELECTRIC  
RESTRUCTURING ISSUES.

Docket No. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S REQUEST FOR A  
VARIANCE OF CERTAIN REQUIREMENTS  
OF A.A.C. R14-2-1606.

Docket No. E-01345A-01-0822

IN THE MATTER OF THE GENERIC  
PROCEEDING CONCERNING THE  
ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR.

Docket No. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC  
POWER COMPANY'S APPLICATION FOR A  
VARIANCE OF CERTAIN ELECTRIC  
COMPETITION RULES COMPLIANCE  
DATES.

Docket No. E-01933A-02-0069

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF ITS  
STRANDED COST RECOVERY.

## RUCO's List of Issues for Track B Hearing

Pursuant to the Procedural Order of September 24, 2002, the Residential Utility Consumer Office ("RUCO") files its list of specific issues to be addressed at the hearing on Track B.

First, RUCO believes the existing utilities should be required to submit bids for power into the competitive solicitation process that reflect their own self-build options on a traditional,

1 regulated cost-of-service basis. In light of the Commission's findings in the Track A order that  
2 the wholesale market is not currently workably competitive (Finding of Fact No. 25) and that  
3 the FERC has not yet defined or implemented an effective regulatory and oversight approach  
4 for competitive energy markets (Finding of Fact No. 26), the Commission can expect the Track  
5 B process to produce bids from independent power producers that will result in just and  
6 reasonable prices. The utilities' self-build bids, which would propose very long-term contracts,  
7 would provide a competitive baseline against which the non-utility bids would be assessed. If  
8 the independent power producers' bids beat out the utility self-build option bids over either the  
9 short, medium, or long-term, then the utility bids would not be accepted. Thus, while RUCO  
10 hopes the Commission is correct in its Finding of Fact No. 37 that the Track B competitive  
11 bidding process "will encourage a phase-in to competition [and competitive market prices],  
12 encourage the development of a robust wholesale market for generation, and obtain some of  
13 the benefits of the new Arizona generation resources, while at the same time protecting  
14 ratepayers", the Commission must ensure that ratepayers are protected by requiring the self-  
15 build option bids by existing utilities for both new peaking and baseload resources. By  
16 requiring such bids, the Commission can insure that ratepayers will be no worse off under the  
17 new competitive bidding approach for acquiring new generating resources than they would  
18 have been under traditional rate regulation.

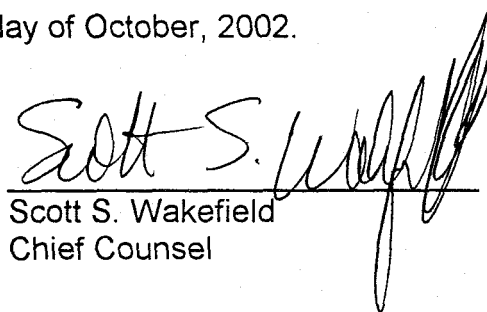
18 Second, RUCO believes that the Track B solicitation process should explicitly include a  
19 least cost planning process for selecting winning bids. While RUCO does not contend that  
20 price should be the only criteria on which bids are compared, RUCO strongly advocates using  
21 delivered price as the most highly weighted criteria, once the other criteria pass a  
22 reasonableness test. In addition, RUCO recommends that "delivered price" be taken into  
23 account by including it in a least cost planning calculation. Least cost planning involves the  
24 minimization of the present value of revenue requirements over the long term, usually 20-30  
years. Therefore, competitive bids should be encouraged to be submitted for anywhere from

1 1-30 years as part of the solicitation process, and not only for the short to medium terms. In  
2 addition, the bid evaluation period must be long enough to permit evaluation of bids to result in  
3 a least cost mix.

4 Finally, RUCO believes that the Staff's proposal for a "price to beat" safe harbor is  
5 technically incompatible with a least cost planning framework, and is therefore not practical.

6 RUCO reserves the right to raise other issues based on the final Staff proposal as it will  
7 be outlined in the anticipated October 25, 2002 Staff Report.

8 RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of October, 2002.

9  
10   
11 Scott S. Wakefield  
Chief Counsel

12 AN ORIGINAL AND EIGHTEEN COPIES  
13 of the foregoing filed this 1st day  
of October, 2002 with:

14 Docket Control  
15 Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

16 COPIES of the foregoing hand delivered  
17 this 1st day of October, 2002 to:

18 Lyn Farmer  
19 Chief Administrative Law Judge  
Hearing Division  
20 Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

21 Christopher Kempley, Chief Counsel  
22 Legal Division  
23 Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

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2 or transmitted electronically  
3 this 1st day of October, 2002 to:

4 All parties of record on the service list  
5 for Consolidated Docket Nos.:

6 E-00000A-02-0051

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7 By Cheryl Fraulob  
8 Cheryl Fraulob